



8011-01p

## SECURITIES AND EXCHANGE COMMISSION

Submission for OMB Review; Comment Request

Upon Written Request,  
Copies Available From:

Securities and Exchange Commission  
Office of Investor Education and Advocacy  
Washington, DC 20549-0213

Extension:

Rule 11a-3

SEC File No. 270-321

OMB Control No. 3235-0358

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), the Securities and Exchange Commission (the "Commission") has submitted to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below.

Section 11(a) of the Investment Company Act of 1940 ("Act") (15 U.S.C. 80a-11(a)) provides that it is unlawful for a registered open-end investment company ("fund") or its underwriter to make an offer to the fund's shareholders or the shareholders of any other fund to exchange the fund's securities for securities of the same or another fund on any basis other than the relative net asset values ("NAVs") of the respective securities to be exchanged, "unless the terms of the offer have first been submitted to and approved by the Commission or are in accordance with such rules and regulations as the Commission may have prescribed in respect of such offers." Section 11(a) was designed to prevent "switching," the practice of inducing shareholders of one fund to exchange their shares for the shares of another fund for the purpose of exacting additional sales charges.

Rule 11a-3 (17 CFR 270.11a-3) under the Act of 1940 is an exemptive rule that permits open-end investment companies ("funds"), other than insurance company separate accounts, and

funds' principal underwriters, to make certain exchange offers to fund shareholders and shareholders of other funds in the same group of investment companies. The rule requires a fund, among other things, (i) to disclose in its prospectus and advertising literature the amount of any administrative or redemption fee imposed on an exchange transaction, (ii) if the fund imposes an administrative fee on exchange transactions, other than a nominal one, to maintain and preserve records with respect to the actual costs incurred in connection with exchanges for at least six years, and (iii) give the fund's shareholders a sixty day notice of a termination of an exchange offer or any material amendment to the terms of an exchange offer (unless the only material effect of an amendment is to reduce or eliminate an administrative fee, sales load or redemption fee payable at the time of an exchange).

The rule's requirements are designed to protect investors against abuses associated with exchange offers, provide fund shareholders with information necessary to evaluate exchange offers and certain material changes in the terms of exchange offers, and enable the Commission staff to monitor funds' use of administrative fees charged in connection with exchange transactions.

The staff estimates that there are approximately 1,790 active open-end investment companies registered with the Commission as of June 2011. The staff estimates that 25 percent (or 448) of these funds impose a non-nominal administrative fee on exchange transactions. The staff estimates that the recordkeeping requirement of the rule requires approximately 1 hour annually of clerical time per fund, for a total of 448 hours for all funds.<sup>1</sup>

The staff estimates that 5 percent of these 1,790 funds (or 90) terminate an exchange offer or make a material change to the terms of their exchange offer each year, requiring the fund

---

<sup>1</sup> This estimate is based on the following calculations:  $(1,790 \text{ funds} \times 0.25\% = 448 \text{ funds})$ ;  $(448 \times 1 \text{ (clerical hour)} = 448 \text{ clerical hours})$ .

to comply with the notice requirement of the rule. The staff estimates that complying with the notice requirement of the rule requires approximately 1 hour of attorney time and 2 hours of clerical time per fund, for a total of approximately 270 hours for all funds to comply with the notice requirement.<sup>2</sup> The recordkeeping and notice requirements together therefore impose a total burden of 718 hours on all funds.<sup>3</sup> The total number of respondents is 538, each responding once a year.<sup>4</sup> The burdens associated with the disclosure requirement of the rule are accounted for in the burdens associated with the Form N-1A registration statement for funds.

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

The public may view the background documentation for this information collection at the following website, [www.reginfo.gov](http://www.reginfo.gov). Comments should be directed to: (i) Desk Officer for the Securities and Exchange Commission, Office of Information and Regulatory Affairs, Office of

---

<sup>2</sup> This estimate is based on the following calculations:  $(1790 \text{ (funds)} \times 0.05\% = 90 \text{ funds})$ ;  $(90 \times 1 \text{ (attorney hour)} = 90 \text{ total attorney hours})$ ;  $(90 \text{ (funds)} \times 2 \text{ (clerical hours)} = 180 \text{ total clerical hours})$ ;  $(90 \text{ (attorney hours)} + 180 \text{ (clerical hours)} = 270 \text{ total hours})$ .

<sup>3</sup> This estimate is based on the following calculations:  $(270 \text{ (notice hours)} + 448 \text{ (recordkeeping hours)} = 718 \text{ total hours})$ .

<sup>4</sup> This estimate is based on the following calculation:  $(448 \text{ funds responding to recordkeeping requirement} + 90 \text{ funds responding to notice requirement} = 538 \text{ total respondents})$ .

Management and Budget, Room 10102, New Executive Office Building, Washington, D.C. 20503, or by sending an e-mail to: [Shagufta\\_Ahmed@omb.eop.gov](mailto:Shagufta_Ahmed@omb.eop.gov) ; and (ii) Thomas Bayer, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 6432 General Green Way, Alexandria, VA 22312 or send an email to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov) . Comments must be submitted to OMB within 30 days of this notice.

Kevin M. O'Neill  
Deputy Secretary

November 3, 2011

[FR Doc. 2011-28899 Filed 11/07/2011 at 8:45 am; Publication Date: 11/08/2011]